

Project Summary Information (PSI)

Project No: 000081

Project Name	Support to Colombo Urban Regeneration Project
Country	The Democratic Socialist Republic of Sri Lanka
Sector	Urban
Project No.	000081
Borrower	The Democratic Socialist Republic of Sri Lanka
Implementation Agency	Ministry of Megapolis and Western Development (MMWD)
Environmental and Social Category	Category A
Date of PSI prepared or updated	May 9, 2018
Estimated Date of Board Consideration	December, 2018
Date of Concept Decision	Approved on May 8, 2018

I. Introduction

The city of Colombo has been the commercial and industrial center of Sri Lanka since the 17th century, largely owing to its strategic location along an international shipping route. The Government of Sri Lanka (GoSL) plans to transform Colombo into a city on par with its regional middle-income competitors and has established a dedicated Ministry of Megapolis and Western Development (MMWD) in charge of developing the Western Province, where Colombo is located. Housing and its associated urban infrastructure have long been among the most important items on the GoSL's agenda, due to their impact on both economic and social development. Since the late 1960s, the GoSL has undertaken a series of major housing development programs in Colombo. These programs provided housing for public sector workers but also small housing plots and financial support for low- and middle-income families. During the civil conflict, however, the GoSL could not sustain the investments necessary to continue expanding the housing supply or to provide full infrastructure and services for residential areas already developed. As a result, many new settlements emerged without adequate infrastructure or even authorization and many of the residential areas already developed lacked basic urban infrastructure and services. In addition to the infrastructure and service issues, another serious burden left by the earlier housing programs has been the occupation of the land of Colombo City largely by one- and two-story houses on small plots, which have been hard to redevelop and limit the economic density of the city.

To address the issues of poor housing and services as well as inefficient land use, the GoSL has established the Colombo Urban Regeneration Program (URP). The URP aims to resettle about 50,000 low-income and lower-middle-income households currently living in identified underserved settlements provided earlier by the GoSL or occupied by squatting, into new high-rise apartment buildings. The land thus released is intended to be used for public purposes such as urban infrastructure or parks as well as for higher-value redevelopment.

The URP is a GoSL priority. It is consistent with the GoSL's housing policy aim of ensuring affordable access to adequate housing for everyone, and with the Megapolis Master Plan, which envisages the relocation of households from underserved settlements into new housing schemes with adequate standards, thus ensuring optimization of urban land use for higher economic returns and sounder urban planning, and an important step in transforming Colombo into a city with a clean and pleasing environment and a model for national development. The URP aims to enhance social benefits, especially for low-income communities, through the provision of new housing units with adequate urban infrastructure and services. In addition, economic benefits are expected through the implementation of its land redevelopment program, improving the efficiency of the city's land use and attracting more private or foreign investments to Colombo. It is aligned with the Bank's mission to improve the social and economic outcomes in the region through supporting sustainable urban development.

II. Project Objectives and Expected Results

The objective of the proposed project is to improve housing conditions of low-income communities and increase land use efficiency in Colombo through investments in the construction of affordable housing and redevelopment of land, with associated policy and system enhancements.

Proposed results indicators for the objectives would include: (i) number of adequate housing units allocated to households in the two lowest income quintiles; (ii) number of people resettled into the newly constructed housing units; (iii) area of land allocated for public and high-value uses; (iv) more than 4,500 below-median income households whose housing is improved in terms of utility, drainage and durability, and resident satisfaction; and (v) value of land made available for redevelopment under the project increased by 30 percent or more.

III. Project Description

The Project will comprise 3 components, as described below.

Component 1: Housing Construction. This component, with an estimated total cost of USD220 million, will support continuation of the URP Phase-II (starting in 2018), through construction of new housing units, which are currently under preparation or about to begin such preparation.

Component 2: Land Redevelopment. This component, estimated at USD50 million, will include provision of planning, marketing, and basic infrastructure to facilitate efficient redevelopment or reuse of the land made available by moving the residents to the newly constructed housing units.

Component 3: Technical Support and Project Management. This component, estimated at USD10 million, will support the review of designs and other quality enhancement measures to improve URP implementation, including a system to improve quality and sustainability of apartment building maintenance, clarification of transfer procedures, as well as necessary social works and education. As requested by the GoSL, Component 3 will also support the review and improvement of the current public programs and policies for low- and middle-income housing with a focus on increased sustainability as well as equity.

IV. Environmental and Social Category

The Bank's Environmental and Social Policy (ESP), including the Environment and Social Standards (ESSs), will be applicable to the proposed project. These will be used for environmental and social screening, categorization and due diligence with respect to specific contexts of the project. As per the Bank's ESP, the project is preliminarily proposed to be placed in Category A based on the available information especially because of the potential social risks and impacts. The Categorization of the project will be further reviewed and finalized based on the environmental and social impact assessments, as well as the Bank team's site visits prior to appraisal, considering the location of the proposed project, nature of project activities and local environmental and social setting.

In accordance with the ESP and national policy requirements, the Borrower and the Implementation Agency will conduct an Environmental and Social Impact Assessment (ESIA) or equivalent, and then prepare an Environmental and Social Management Plan (ESMP), which will be based on the findings of the ESIA, followed by public consultations and feedback. It will also be determined whether a resettlement instrument will need to be developed.

A social assessment and stakeholder engagement plan will be designed and carried out as early as possible, so that the outcome and recommendations can be reflected and included in the project preparation and design. The stakeholder engagement plan will be designed so as to enable participation by women and people of different ethnic and socio-economic groups.

V. Estimated Project Cost and Financing Source

The total project cost is estimated at USD280 million. The GoSL has requested the Bank to finance the project through a Sovereign Backed Loan. Components 1 and 2 are proposed to be financed by the Bank and the GoSL on a 70:30 basis, with Component 3 financed entirely by the Bank. The indicative project cost and financing plan is shown in the table below.

Items	Cost Amount (in USD million)	Indicative Financing Sources (in USD million)			
		AIB		GoSL	
Component 1: Housing Construction	220.0	155.0	70%	65.0	30%
1.1 Six sub-projects already identified	135.0	95.0	70%	40.0	30%
1.2 Other sub-projects to be identified	85.0	60.0	70%	25.0	30%
Component 2: Land Redevelopment	50.0	35.0	70%	15.0	30%
Component 3: Technical Support and Project Management	10.0	10.0	100%	0.0	0%
Total:	280.0	200.0	71%	80.0	29%

VI. Implementation

The project will be implemented by the MMWD through the Urban Development Authority (UDA).

Procurement will be conducted in accordance with the provisions of the Bank's Procurement Policy and Interim Operational Directive: Procurement Instructions for Recipients.

Proposed project implementation period: January 1, 2018 – December 31, 2022.

Contact Points

Asian Infrastructure Investment Bank (AIIB)

Anzheng Wei
Project Team Leader/Investment Officer
Tel: +86 (10) 8358 0195
Email: awei@aiib.org

Borrower

Madara Sevrandi De Silva
Director, External Resources Department
Ministry of National Policies and Economic Affairs
Tel: +94 112484717
Email: Madara@erd.gov.lk

Implementation Agency

E.A.C. Priyashantha
Director, Housing
Urban Development Authority
Ministry of Megapolis and Western Development
Tel: +94 714443972
Email: ellethotaarachchige@gmail.com